

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BONN

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PASS AGRICULTURE

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TAGS: EAGR, EEC

SUBJECT: REVIEW OF THE CAP

1. SUMMARY. IN ITS SEPTEMBER 26 MEETING, THE LONG HERALDED QUOTE REVIEW OF THE CAP UNQUOTE WAS DISCUSSED FOR THE FIRST TIME BY THE FULL EC COMMISSION. LARDINOIS WHO OPENED AND LED THE DEBATE REPORTEDLY OUTLINED SEVERAL ALTERNATIVES FOR SIMPLIFYING AND IMPROVING CERTAIN CAP MARKET REGULATIONS.

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PARTICULARLY THOSE FOR GRAINS AND DAIRY PRODUCTS. A

COMMISSION REPORT ON POSSIBLE MODIFICATIONS OF THE CAP MAY BE SUBMITTED TO THE COUNCIL OF AG MINISTERS MEETING SCHEDULED FOR OCTOBER 22-23. END SUMMARY.

2. THE COMMISSION LAST SPRING ANNOUNCED ITS INTENTION TO SUBMIT BY FALL TO THE EC COUNCIL (AG MINS) A MEMORANDUM ON MODIFICATIONS OF THE CAP. SINCE THEN, THE QUOTE REVISION OF THE CAP UNQUOTE HAS BEEN DISCUSSED THROUGHOUT THE COMMUNITY IN NUMEROUS PRESS ARTICLES AND PUBLIC SPEECHES. IN VIEW OF THE SENSITIVITY OF THIS ISSUE -- AND IN PARTICULAR IN VIEW OF CHIRAC'S BLAST DURING THE SUMMER AGAINST THOSE QUESTIONING THE IMMUTABILITY OF THE BASIC PRINCIPLES OF THE CAP-- THE COMMISSION HAS TAKEN PAINS TO SPEAK ONLY OF A REVIEW (AND NOT OF A REVISION) OF SOME ASPECTS OF IMPLEMENTING THECAP MECHANISMS. IT HAS THUS APPEARED TO BACK AWAY FROM ANY IDEA THAT THE CAP COULDS OR SHOUL BE FUNDAMENTALLY REVISED. LATELY THE WORD QUOTE AMENAGEMENT UNQUOTE (I. E. ADJUSTMENT) RATHER THAN REVIEW OR REVISION OF THE CAP HAS BEEN USED BY COMMISSION SPOKESMEN TO PUT TO REST ANY SUSPICION THAT THE CAP MAY BE CHANGE IN FUNDAMENTAL RESPECTS.

3. AT THE BEGINNING OF SEPTEMBER, THE COMMISSION SERVICES BEGAN TO PREPARE A NUMBER OF PAPERS DEALING WITH THE REVIEW OF THE CAP. STRICT INSTRUCTIONS HAVE BEEN ISSUED TO PREVENT ANY LEAKAGE OF THESE PAPERS. NEVERTHELESS WE HAVE BEEN ABLE TO LOOK OVER INFORMALLY TWO OF THESE PAPERS, ONE DEALING WITH THE GRAINS SECTOR, THE OTHER WITH THE DAIRY SECTOR.

4. THE PAPER DEALING WITH THE GRAIN SECTOR ADDRESSES ITSELF TO TWO MAJOR OBJECTIVES: ONE OBJECTIVE IS AN IMPROVEMENT IN THE PRICE RELATIONSHIP BETWEEN WHEAT AND FEED GRAINS; THE OTHER OBJECTIVE IS A SIMPLIFICATION OF THE BASING POINT SYSTEM (SYSTEM OF DERIVED INTERVENTION PRICES). SINCE WHEAT IS IN SURPLUS, SHILTHE COMMUNITY STILL HAS A FEEDGRAIN DEFICIT, THE PAPER ENVISAGES LOWERING THE WHEAT PRICE THE BRING TI CLOSER TO THE PRICE LEVEL OF FEEDGRAINS. THE LOWERING OF THE WHEAT PRICE IS NOT TO BE ACHIEVED THROUGH AN ABSOLUTE REDECTION OF THE PRESENT INTERNAL SUPPORT LEVELS BUT EITHER THROUGH A RAISING OF QUALITY STANDARDS FOR WHEAT OFFERED FOR INTERVENTION, OR THROUGH A CHANGE IN THE SEASONAL LIMITED OFFICIAL USE

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APPLICATION OF INTERVENTION PRICES. IN THE FIRST CASE, QUALITY STANDARDS FOR WHEAT OFFERED FOR INTERVENTION WOULD BE SO HIGH THAT MAY FARMERS WOULD BE UNABLE TO MEET THEM. THUS, THE INTERVENTIO PRICE WOULD BE EFFECTIVELY LOWERED. IN THE SECOND CASE, THE INTERVENTION PRICES WOULD APPLY ONLY LATE IN THE MARKETING SEASON. THUS, THERE WOULD BE NO FLOOR PRICES FOLLOWING THE FIRST FEW MONTHS OF THE HARVEST AND SURPLUSES WOULD TEND TO DEPRESS MARKET PRICES BELOW THE PRESENT

LEVEL OF INTERVENTION PRICES.

5. THE CHANGE IN THE BASING POINT SYSTEM FOR GRAIN COULD TAKE VARIOUS FORMS: IT COULD CONSIST IN THE REDUCTION OF THE NUMBER OF INTERVENTION CENTERS, PARTICULARLY IN REGIONS DISTANT FROM THE PRINCIPAL MARKETS, OR IN ESTABLISHING THE PRINCIPAL INTERVENTION CENTERS IN THE COMMUNITY'S MAJOR EXPORT PORTS. IN THE LATTER CASE, INLAND INTERVENTION PRICES WOULD BE THE LOWER, THE HIGHER THE FREIGHT COSTS FROM THE PORTS TO THE INLAND INTERVENTION POINTS.

6. IN THE DAIRY SECTOR, THE COMMISSION PAPERS ENVISAGE A CHANGE IN THE RELATIONSHIP OF THE SUPPORT PRICES BETWEEN MILK FAT AND MILK SOLIDS IN FAVOR OF THE LATTER. (THIS WOULD INVOLVE A LOWERING OF THE SUPPORT PRICE FOR BUTTER AND A RISE IN THAT OF SKIM MILK POWDER.) MOREOVER, IF SURPLUS STOCKS WERE TO EXCEED A CERTAIN LEVEL, PRODUCERS WOULD HAVE TO CONTRIBUTE TO THE COSTS OF DISPOSING OF SURPLUSES.

7. IT REMAINS TO BE SEEN WHETHER THE FOREGOING IDEAS WILL BE FINALLY EMBODIED IN FORMAL COMMISSION PROPOSALS. SHOULD THIS BE THE CASE, THESE PROPOSALS WILL PROBABLY FORM PART OF THE COMMISSION'S CAP PRICE PROPOSALS FOR THE 1974/75 CROP YEAR.
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